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C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 43)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED RESULTS

The board of directors (the “Board”) of C.P. Pokphand Co. Ltd. (the “Company” or “CPP”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2017	2016
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
REVENUE	4	5,638,036	5,281,193
Cost of sales		(5,027,687)	(4,348,607)
Gross profit		610,349	932,586
Net changes in fair value of biological assets	5	7,389	(33,009)
		617,738	899,577
Other income, net	6	36,279	29,795
Selling and distribution costs		(258,421)	(241,771)
General and administrative expenses		(270,264)	(244,874)
Finance costs		(58,664)	(35,473)
Share of profits and losses of:			
Joint ventures		4,709	4,129
Associates		15,351	11,091
PROFIT BEFORE TAX	7	86,728	422,474
Income tax	8	(45,891)	(92,995)
PROFIT FOR THE YEAR		40,837	329,479

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

Year ended 31 December

2017

2016

US\$'000

US\$'000

OTHER COMPREHENSIVE INCOME

Items that will not be reclassified subsequently
to profit or loss:

Surplus on revaluation of office premises, net

19,470

13,133

Income tax effect

(4,402)

(790)

15,068

12,343

Items that may be reclassified subsequently
to profit or loss:

Exchange differences related to translation
of foreign operations

79,834

(89,603)

Share of other comprehensive income of:

Joint ventures

1,334

(1,278)

Associates

7,616

(5,051)

Surplus on revaluation of available-for-sale
investment

32,096

–

Income tax effect

(8,024)

–

112,856

(95,932)

**OTHER COMPREHENSIVE INCOME FOR
THE YEAR, NET OF INCOME TAX**

127,924

(83,589)

**TOTAL COMPREHENSIVE INCOME FOR
THE YEAR**

168,761

245,890

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (*Continued*)

	Year ended 31 December	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
Profit/(loss) attributable to:		
Shareholders of the Company	41,867	260,278
Non-controlling interest	(1,030)	69,201
	<u>40,837</u>	<u>329,479</u>
Total comprehensive income attributable to:		
Shareholders of the Company	166,836	184,748
Non-controlling interest	1,925	61,142
	<u>168,761</u>	<u>245,890</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		
	10	
	<i>US cents</i>	<i>US cents</i>
Basic and diluted	<u>0.165</u>	<u>1.027</u>

Details of dividends for the year are disclosed in note 9 to the financial information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2017	2016
		US\$'000	US\$'000
	Note		
NON-CURRENT ASSETS			
Property, plant and equipment		1,754,648	1,399,227
Investment properties		23,897	13,513
Land lease prepayments		152,496	128,407
Non-current biological assets		65,687	57,216
Intangible assets		28,798	29,464
Investments in joint ventures		22,977	19,289
Investments in associates		126,105	105,279
Available-for-sale investments		41,751	11,730
Goodwill		37,488	35,121
Other non-current assets		43,581	124,692
Deferred tax assets		24,397	3,907
		2,321,825	1,927,845
Total non-current assets			
CURRENT ASSETS			
Inventories		612,670	533,371
Current biological assets		351,340	326,582
Trade and bills receivables	11	287,900	202,902
Prepayments, deposits and other receivables		332,320	181,704
Pledged deposits		24,762	41,005
Time deposits with maturity over three months		15,305	151,112
Cash and cash equivalents		286,807	268,904
		1,911,104	1,705,580
Total current assets			
CURRENT LIABILITIES			
Trade and bills payables	12	462,834	340,609
Other payables and accruals		452,016	346,408
Bank borrowings		697,749	376,093
Income tax payables		20,945	18,326
		1,633,544	1,081,436
Total current liabilities			
NET CURRENT ASSETS		277,560	624,144
TOTAL ASSETS LESS CURRENT LIABILITIES		2,599,385	2,551,989

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		At 31 December	
		2017	2016
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
NON-CURRENT LIABILITIES			
Bank borrowings		836,465	904,133
Corporate bond		152,818	143,386
Other non-current liabilities		25,271	24,096
Deferred tax liabilities		69,467	61,626
		<hr/>	<hr/>
Total non-current liabilities		1,084,021	1,133,241
		<hr/>	<hr/>
NET ASSETS		1,515,364	1,418,748
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	13	253,329	253,329
Reserves		961,500	817,937
Proposed final dividend	9	22,881	52,300
		<hr/>	<hr/>
		1,237,710	1,123,566
		<hr/>	<hr/>
Non-controlling interest		277,654	295,182
		<hr/>	<hr/>
TOTAL EQUITY		1,515,364	1,418,748
		<hr/> <hr/>	<hr/> <hr/>

NOTES

1. BASIS OF PREPARATION

This financial information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (“IASB”). This financial information is presented in United States dollars (“US\$”) and all values are rounded to the nearest thousand (“US\$’000”) except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

- (i) The IASB has issued a number of amendments to IFRSs that are first effective for the current year. Of these, the following amendments may be relevant to the Group:

Amendments to IAS 7	Amendments to IAS 7 <i>Statement of cash flows – Disclosure initiative</i>
Amendments to IAS 12	Amendments to IAS 12 <i>Income tax – Recognition of deferred tax assets for unrealised losses</i>
Annual improvements to IFRSs 2014-2016 cycle	Amendments to IFRS 12 <i>Disclosure of Interests in Other Entities</i>

Other than as further explained below regarding the impact of Amendments to IAS 7, the adoption of these amendments to IFRSs has had no significant financial effect on this financial information.

Amendments to IAS 7 Statement of cash flows – Disclosure initiative

Amendments to IAS 7 require the Group to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

- (ii) Up to the date of issue of this financial information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in this financial information. These include the following which may be relevant to the Group:

- *IFRS 9 Financial instruments*

IFRS 9 introduces new classification and measurement requirements for financial assets on the basis of the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, and a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39, *Financial Instruments: Recognition and Measurement*, with the result that a loss event will no longer need to occur before an impairment allowance is recognised.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(ii) *(Continued)*

- *IFRS 9 Financial instruments (Continued)*
Based on management's initial assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for financial instruments. At 31 December 2017, the Group had equity investments classified as available-for-sale that are held for long-term strategic purposes. These equity investments will be designated as equity investments measured at fair value through other comprehensive income under IFRS 9. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Group also does not anticipate that impairment based on expected credit loss model will have significant financial impacts.
- *IFRS 15 Revenue from contracts with customers*
Under IFRS 15, revenue from sale of goods or provision of services is recognised when control of a good or service transfers to a customer. Management has assessed the impact of the adoption of IFRS 15 and considered that there would not have current material impact on the financial results.
- *IFRS 16 Leases*
IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment and land which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of comprehensive income over the period of the lease. The Group has non-cancellable operating leases commitments as at 31 December 2017, the majority of which is payable in the second to fifth years or five years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted.

However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16.

IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its mandatory effective date.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into the following three reportable operating segments based on their products and services:

- the China agri-food segment is engaged in the manufacture and sale of animal feed, breeding, farming and sale of livestock and the manufacture and sale of value-added, processed food products in the People's Republic of China (the "PRC");
- the Vietnam agri-food segment is engaged in the manufacture and sale of animal feed, breeding, farming and sale of livestock and aquatic animals, and the manufacture and sale of value-added, processed food products in the Socialist Republic of Vietnam ("Vietnam"); and
- the investment and property holding segment is engaged in leasing properties owned by the Group and investments in group companies.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income and finance costs are excluded from such measurement.

Segment assets exclude pledged deposits, time deposits, cash and cash equivalents and deferred tax assets and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank borrowings, corporate bond, income tax payables and deferred tax liabilities as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments

The following tables present revenue, profit or loss and certain assets, liabilities and expenditure information for the Group's reportable operating segments for the years ended 31 December 2017 and 2016.

Year ended 31 December 2017

	China agri-food operations <i>US\$'000</i>	Vietnam agri-food operations <i>US\$'000</i>	Investment and property holding operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue				
Sales to external customers	<u>3,691,402</u>	<u>1,946,478</u>	<u>156</u>	<u>5,638,036</u>
Segment results				
The Group	208,826	(80,133)	(8,005)	120,688
Share of profits and losses of:				
Joint ventures	4,709	–	–	4,709
Associates	<u>15,351</u>	<u>–</u>	<u>–</u>	<u>15,351</u>
	<u>228,886</u>	<u>(80,133)</u>	<u>(8,005)</u>	140,748
Reconciliation:				
Bank interest income				4,644
Finance costs				<u>(58,664)</u>
Profit before tax				<u>86,728</u>
Other segment information				
Depreciation and amortisation	69,591	77,448	775	147,814
Capital expenditure*	263,708	52,044	95	315,847
Additions of other non-current assets**	<u>79,622</u>	<u>53,795</u>	<u>–</u>	<u>133,417</u>

* Including additions to property, plant and equipment and land lease prepayments, but excluding assets from acquisition of a subsidiary.

** Including (i) non-current assets from acquisition of a subsidiary, and (ii) additions to non-current biological assets and other non-current assets.

3. OPERATING SEGMENT INFORMATION (Continued)

(a) Reportable operating segments (Continued)

At 31 December 2017

	China agri-food operations US\$'000	Vietnam agri-food operations US\$'000	Investment and property holding operations US\$'000	Total US\$'000
Segment assets	<u>2,690,323</u>	<u>1,105,266</u>	<u>446,780</u>	4,242,369
Reconciliation:				
Elimination of intersegment receivables				(385,932)
Unallocated assets				<u>376,492</u>
Total assets				<u>4,232,929</u>
Segment liabilities	<u>1,103,245</u>	<u>219,944</u>	<u>2,864</u>	1,326,053
Reconciliation:				
Elimination of intersegment payables				(385,932)
Unallocated liabilities				<u>1,777,444</u>
Total liabilities				<u>2,717,565</u>
Other segment information				
Investments in joint ventures	22,977	-	-	22,977
Investments in associates	<u>126,105</u>	-	-	<u>126,105</u>

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

Year ended 31 December 2016

	China agri-food operations <i>US\$'000</i>	Vietnam agri-food operations <i>US\$'000</i>	Investment and property holding operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue				
Sales to external customers	3,034,712	2,246,356	125	5,281,193
Segment results				
The Group	211,651	234,860	(7,043)	439,468
Share of profits and losses of:				
Joint ventures	4,129	–	–	4,129
Associates	11,091	–	–	11,091
	226,871	234,860	(7,043)	454,688
Reconciliation:				
Bank interest income				3,259
Finance costs				(35,473)
Profit before tax				422,474
Other segment information				
Depreciation and amortisation	48,787	74,057	601	123,445
Capital expenditure*	184,120	48,675	11	232,806
Additions of other non-current assets**	268,908	45,059	–	313,967

* Including additions to property, plant and equipment and land lease prepayments, but excluding assets from acquisition of subsidiaries.

** Including (i) non-current assets from acquisition of subsidiaries, and (ii) additions to non-current biological assets and other non-current assets.

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Reportable operating segments *(Continued)*

At 31 December 2016

	China agri-food operations <i>US\$'000</i>	Vietnam agri-food operations <i>US\$'000</i>	Investment and property holding operations <i>US\$'000</i>	Total <i>US\$'000</i>
Segment assets	<u>2,068,481</u>	<u>1,047,506</u>	<u>497,166</u>	3,613,153
Reconciliation:				
Elimination of intersegment receivables				(452,689)
Unallocated assets				<u>472,961</u>
Total assets				<u>3,633,425</u>
Segment liabilities	<u>979,376</u>	<u>181,319</u>	<u>3,107</u>	1,163,802
Reconciliation:				
Elimination of intersegment payables				(452,689)
Unallocated liabilities				<u>1,503,564</u>
Total liabilities				<u>2,214,677</u>
Other segment information				
Investments in joint ventures	19,289	–	–	19,289
Investments in associates	<u>105,279</u>	<u>–</u>	<u>–</u>	<u>105,279</u>

3. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical information

(i) Revenue from external customers

	Year ended 31 December	
	2017	2016
	US\$'000	US\$'000
Mainland China	3,693,895	3,039,619
Vietnam	1,878,164	2,167,119
Elsewhere	65,977	74,455
	<u>5,638,036</u>	<u>5,281,193</u>

The revenue information shown above is based on the location of the customers.

(ii) Non-current assets

	At 31 December	
	2017	2016
	US\$'000	US\$'000
Mainland China	1,750,727	1,438,180
Vietnam	450,643	435,008
Elsewhere	54,307	39,020
	<u>2,255,677</u>	<u>1,912,208</u>

The non-current assets information shown above is based on the location of assets and excludes available-for-sale investments and deferred tax assets.

4. REVENUE

Revenue represents: (i) the aggregate of the invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for goods returned and trade discounts; and (ii) rental income from investment and property holding operations.

An analysis of revenue is as follows:

	Year ended 31 December	
	2017	2016
	US\$'000	US\$'000
Sales of goods from:		
China agri-food operations		
– Feed business	3,244,037	2,899,040
– Farm business	45,361	–
– Food business	402,004	135,672
Vietnam agri-food operations		
– Feed business	817,163	878,151
– Farm business	995,634	1,227,079
– Food business	133,681	141,126
	<u>5,637,880</u>	<u>5,281,068</u>
Rental income from investment and property holding operations	<u>156</u>	<u>125</u>
	<u><u>5,638,036</u></u>	<u><u>5,281,193</u></u>

5. NET CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS

Net changes in fair value of biological assets represent the difference in fair value from 1 January 2017 to 31 December 2017. Net fair value changes consist of (i) negative realised fair value changes of US\$52,416,000 (2016: US\$86,644,000) in respect of biological assets held as at 1 January 2017 and (ii) positive unrealised fair value changes in biological assets stated at fair value as at 31 December 2017 of US\$59,805,000 (2016: US\$53,635,000).

6. OTHER INCOME, NET

An analysis of other income, net is as follows:

	Year ended 31 December	
	2017	2016
	US\$'000	US\$'000
Bank interest income	4,644	3,259
Other interest income	9,574	5,845
Rental income	4,473	2,797
Government grants	7,978	5,261
Gain on relocation of factories	–	8,794
Income from sale of consumables and packaging materials	3,638	3,693
Net changes in fair value of derivative financial instruments	(13,025)	5,214
Net changes in fair value of investment properties	(2,091)	(272)
Foreign exchange differences, net	17,300	(6,303)
Others	3,788	1,507
	<u>36,279</u>	<u>29,795</u>

Government grants included above are subsidies or incentives from the government in respect of certain investments of the Group in the agricultural industry and areas promoted by the government in the PRC. There are no unfulfilled conditions or contingencies relating to these grants. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2017	2016
	US\$'000	US\$'000
Cost of inventories sold	5,027,687	4,348,607
Depreciation of property, plant and equipment	105,430	89,086
Amortisation of land lease prepayments	3,840	3,588
Depreciation of biological assets stated at cost less accumulated depreciation and impairment	35,991	28,174
Amortisation of intangible assets	2,553	2,597
Impairment of trade receivables, net	1,754	952
Impairment of prepayments, deposits and other receivables	2,419	–
Loss on disposal of property, plant and equipment, net	961	199
Rental income	(4,629)	(2,922)
	<u>5,178,542</u>	<u>4,863,303</u>

8. INCOME TAX

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits in Hong Kong during the year (2016: nil).

The subsidiaries operating in the PRC and Vietnam are subject to income tax at the rate of 25% (2016: 25%) and 20% (2016: 20%) respectively on their taxable income according to the PRC and Vietnam corporate income tax laws. In accordance with the relevant tax rules and regulations in the PRC and Vietnam, certain subsidiaries of the Group in the PRC and Vietnam enjoy various income tax exemptions or reductions.

	Year ended 31 December	
	2017 US\$'000	2016 US\$'000
Current – the PRC		
Charge for the year	67,926	55,198
Over-provision in prior years	(4,803)	(7,084)
Current – Vietnam		
Charge for the year	1,322	38,381
Deferred	(18,554)	6,500
	<hr/>	<hr/>
Total tax expense for the year	45,891	92,995
	<hr/> <hr/>	<hr/> <hr/>

9. DIVIDENDS

	Year ended 31 December	
	2017 US\$'000	2016 US\$'000
Interim – nil (2016: HK\$0.024 (equivalent to approximately US 0.310 cents)) per ordinary share and convertible preference share	–	78,450
Proposed final – HK\$0.007 (equivalent to approximately US 0.090 cents) (2016: HK\$0.016 (equivalent to approximately US 0.206 cents)) per ordinary share and convertible preference share	22,881	52,300
	<hr/>	<hr/>
	22,881	130,750
	<hr/> <hr/>	<hr/> <hr/>

The proposed final dividend in respect of the year ended 31 December 2017 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The total amount of the proposed final dividend was calculated based on the number of shares in issue on the date of this announcement.

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic and diluted earnings per share is based on the profit for the year attributable to shareholders of the Company and the weighted average number of ordinary shares and convertible preference shares in issue during the year.

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 December	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	41,867	260,278
	<u><u>41,867</u></u>	<u><u>260,278</u></u>
	Year ended 31 December	
	2017	2016
Shares		
Weighted average number of ordinary shares and convertible preference shares in issue during the year, used in the basic and diluted earnings per share calculation	25,332,914,980	25,332,914,980
	<u><u>25,332,914,980</u></u>	<u><u>25,332,914,980</u></u>

11. TRADE AND BILLS RECEIVABLES

Depending on the requirements of the market and business, the Group may extend credit to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management and interest may be charged by the Group for overdue trade receivables at rates determined by the Group with reference to market practice. In the opinion of the directors, there is no significant concentration of credit risk. An aging analysis of the Group's trade and bills receivables, based on the date of delivery of goods, is as follows:

	At 31 December	
	2017	2016
	US\$'000	US\$'000
60 days or below	257,262	179,618
61 to 180 days	27,965	24,788
Over 180 days	13,412	7,663
	<hr/>	<hr/>
	298,639	212,069
Impairment	(10,739)	(9,167)
	<hr/>	<hr/>
	287,900	202,902
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE AND BILLS PAYABLES

An aging analysis of the Group's trade payables as at the end of the reporting period, based on the date of receipt of goods, is as follow:

	At 31 December	
	2017	2016
	US\$'000	US\$'000
60 days or below	337,173	258,471
61 to 180 days	25,733	16,616
Over 180 days	3,872	2,424
	<hr/>	<hr/>
	366,778	277,511
Bills payable	96,056	63,098
	<hr/>	<hr/>
	462,834	340,609
	<hr/> <hr/>	<hr/> <hr/>

13. SHARE CAPITAL

	At 31 December	
	2017	2016
	US\$'000	US\$'000
Authorised		
<i>Ordinary shares:</i>		
36,000,000,000 shares		
(2016: 36,000,000,000 shares) of US\$0.01 each	360,000	360,000
<i>Convertible preference shares:</i>		
Series A – 20,000,000,000 shares		
(2016: 20,000,000,000 shares) of US\$0.01 each	200,000	200,000
Series B – 4,000,000,000 shares		
(2016: 4,000,000,000 shares) of US\$0.01 each	40,000	40,000
	240,000	240,000
	600,000	600,000
Issued and fully paid		
<i>Ordinary shares:</i>		
24,071,837,232 shares		
(2016: 24,071,837,232 shares) of US\$0.01 each	240,718	240,718
<i>Convertible preference shares:</i>		
Series B – 1,261,077,748 shares		
(2016: 1,261,077,748 shares) of US\$0.01 each	12,611	12,611
	253,329	253,329

There is no movement in the Company's issued ordinary shares and convertible preference shares during the years ended 31 December 2017 and 2016.

13. SHARE CAPITAL *(Continued)*

Note:

The convertible preference shares are convertible into ordinary shares of the Company and are entitled to the same dividends that are declared for the ordinary shares. Convertible preference shares do not carry the right to vote in shareholders' meetings. Upon winding up, the Company's residual assets and funds are distributed to the members of the Company in the following priority:

- (i) in paying to the holders of the convertible preference shares, *pari passu* as between themselves by reference to the aggregate nominal amounts of the convertible preference shares held by them respectively, an amount equal to the aggregate of the issue price of all the convertible preference shares held by them respectively;
- (ii) the balance of such assets shall be distributed on a *pari passu* basis among the holders of any class of shares in the capital of the Company other than the convertible preference shares and other than any shares which are not entitled to participate in such assets, by reference to the aggregate nominal amounts paid up on the shares held by them respectively; and
- (iii) the remaining balance of such assets shall belong to and be distributed on a *pari passu* basis among the holders of any class of shares including the convertible preference shares, other than any shares not entitled to participate in such assets, by reference to the aggregate nominal amount of shares held by them respectively.

The convertible preference shares shall be non-redeemable by the Company or the holders thereof.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

For the year ended 31 December 2017, the Group's revenue increased 6.8% to US\$5,638 million (2016: US\$5,281 million). Agri-food business in China contributed 65.5% of the Group's revenue while agri-food business in Vietnam contributed 34.5% of the Group's revenue. Overall gross profit margin for the year was 10.8% (2016: 17.7%). The Group's profit attributable to shareholders was US\$42 million (2016: US\$260 million).

Basic and diluted earnings per share were both US 0.165 cents (2016: US 1.027 cents). The board has proposed a final dividend per share ("DPS") of HK\$0.007, and total DPS in 2017 was HK\$0.007 (2016: HK\$0.040).

BUSINESS REVIEW

Agri-food Business in China

The overall economy in China showed a mild improvement in 2017. According to the National Bureau of Statistics of the PRC, the country's gross domestic product growth was 6.9% in 2017 (2016: 6.7%). As a first step towards building an ecologically more civilized society, China has tightened environmental and other requirements in the agri-food industry. Larger commercial players with more expertise and resources embraced the changes, while smaller players grappled with the stricter requirements.

In 2017, revenue of the Group's agri-food business in China grew by 21.6% to US\$3,691 million. Feed business accounted for 87.9% of agri-food business revenue in China while farm and food businesses combined contributed the remaining 12.1%.

With a focus on the commercial segment and, in particular, large-scale farms, the Group's China feed sales volume increased 13.8% to 6.91 million tons and feed revenue rose 11.9% to US\$3,244 million. As raw materials prices started to stabilise, gross profit margin moderated to a more sustainable level. Gross profit margin for the Group's China agri-food business was at 15.5% in 2017 (2016: 17.8%).

Swine feed continued to be the largest component in the Group's China feed business segment, accounting for 52.9% of this segment's revenue in 2017. Poultry feed, aqua feed, other feed products and premix contributed 27.7%, 9.0%, 5.4% and 5.0%, respectively. The Group's swine feed sales volume in 2017 expanded by 21.1% to 3.64 million tons, mainly due to strategic marketing of our feed products for the entire life cycle of the pig. Swine feed revenue rose 18.1% to US\$1,717 million. Poultry feed sales volume grew by 8.1% to 2.30 million tons and revenue increased by 6.2% to US\$898 million. Volume increment was mainly contributed by the integrated broiler businesses which we acquired in mid-to-late 2016. Sales volume of aqua feed increased by 18.5% to 0.45 million tons and revenue increased by 18.1% to US\$293 million. This result was primarily because of increased marketing efforts on aqua feed.

Combined farm and food revenue in China was US\$447 million compared to US\$136 million in 2016. Sales from high-value-added processed food products continued to increase and packaged meat sales from newly acquired integrated broiler businesses as mentioned above also contributed significantly to the increase in the revenue of this segment.

Agri-food Business in Vietnam

In 2017, according to the General Statistics Office of Vietnam, Vietnam registered a gross domestic product growth of 6.8% in 2017 (2016: 6.2%). Growth in non-agricultural sectors was solid but agricultural sector growth was adversely affected by natural disasters and fluctuation in agricultural prices. In particular, oversupply leading to plunging prices in the swine sector heavily impacted the agricultural sector.

The Group's agri-food business in Vietnam generated revenue of US\$1,947 million, declining 13.3% year-on-year. Feed business accounted for 42.0% of the Group's Vietnam revenue, while farm and food businesses combined accounted for the remaining 58.0%. Overall gross profit margin of the Group's agri-food business in Vietnam was 1.9% in 2017 (2016: 17.4%) due to a rapid fall in swine prices dampening our farming business.

Feed

Similar to the situation in China, average feed selling prices in 2017 were steady compared to 2016 as raw materials prices stabilised. However, falling swine prices resulted in reduced demand for swine feed, which contributed to lower overall feed sales versus 2016. In 2017, total feed sales volume dropped by 7.0% to 1.80 million tons in Vietnam. Revenue of the Group's feed business in Vietnam decreased by 6.9% to US\$817 million. Swine, poultry, aqua and other feed products accounted for 49.2%, 22.5%, 27.0% and 1.3%, respectively.

Farm and Food

Combined revenue of the Group's farm and food businesses in Vietnam was US\$1,130 million, a 17.5% decline from last year. Swine farming continues to be the major revenue contributor of this business segment. As mentioned above, oversupply of swine in Vietnam caused swine prices to slump in 2017, and significantly hampered the performance of our farming business. The average selling price of our fattening pigs in 2017 were approximately VND28,000 per kg compared to VND46,000 per kg in 2016, a decline of 39% year-on-year. Separately, aqua farming segment benefitted from favourable shrimp prices and higher demand during the year.

OUTLOOK

In the agri-food industry, increasingly stringent requirements in our two operating markets – China and Vietnam – are forcing small to medium-sized farms to exit the industry, as the industry gradually transitions to large-scale and modern farming. Over the long run, the Group is well positioned to benefit from the industry evolution as we have always valued research and development and kept a focus on the commercial segment. However, in the short run, outlook in 2018 remains uncertain as the oversupply of swine in Vietnam is still affecting the market. We remain cautious for 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had total assets of US\$4,232.9 million, representing an increase of 16.5% as compared to US\$3,633.4 million as at 31 December 2016.

Net debt (31 December 2017: US\$1,360.2 million, 31 December 2016: US\$962.6 million) to equity ratio (defined as total bank borrowings and corporate bond minus cash and deposits divided by total equity) was 0.90 as compared to 0.68 as at 31 December 2016.

The borrowings of the Group are denominated in U.S. dollars (“US\$”) (31 December 2017: US\$761.7 million, 31 December 2016: US\$789.8 million), Vietnamese Dong (“VND”) (31 December 2017: US\$381.5 million, 31 December 2016: US\$229.7 million) and Renminbi (“RMB”) (31 December 2017: US\$543.8 million, 31 December 2016: US\$404.1 million).

As at 31 December 2017, the Group’s current portion of long-term borrowings amounted to US\$115.5 million (31 December 2016: US\$66.1 million) and fixed interest rate borrowings amounted to US\$314.1 million (31 December 2016: US\$203.7 million).

All domestic sales in the PRC and Vietnam are transacted in RMB and VND respectively and export sales are transacted in foreign currencies. Foreign currencies are required for purchase of certain raw materials, equipment etc. The Group monitors foreign exchange movements and determines appropriate hedging activities when necessary. During the year, the Group has entered into forward exchange contracts to manage its exchange rate exposures of US\$ denominated liabilities against RMB and VND. As at 31 December 2017, the aggregate notional principal amount of these outstanding derivative financial instruments for US\$ against RMB was US\$133.9 million.

CAPITAL STRUCTURE

The Group finances its working capital requirements through a combination of funds generated from operations and borrowings. The Group had time deposits and cash and cash equivalents of US\$302.1 million as at 31 December 2017, a decrease of US\$117.9 million as compared to 31 December 2016.

CHARGES ON GROUP ASSETS

As at 31 December 2017, out of the total borrowings of US\$1,687.0 million (31 December 2016: US\$1,423.6 million) obtained by the Group, US\$162.9 million (31 December 2016: US\$113.5 million) was secured and accounted for 9.7% (31 December 2016: 8.0%) of the total borrowings. Certain of the Group's property, plant and equipment and land lease prepayments with an aggregate net book value of US\$117.8 million (31 December 2016: US\$102.8 million) were pledged as security.

CONTINGENT LIABILITIES

Guarantees were given by certain subsidiaries in the Group to financial institutions in the PRC for certain indebtedness of independent third party customers of the Group. In the case of financial guarantees provided which exceed the net asset value of the relevant subsidiaries, our maximum contingent liabilities are limited to the net asset value of these subsidiaries. The net asset value of the relevant subsidiaries as at 31 December 2017 was approximately US\$91.2 million (31 December 2016: US\$85.8 million). The contingent liabilities of the Group in respect of such guarantees as at 31 December 2017 were US\$23.5 million (31 December 2016: US\$30.9 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed around 35,000 staff in the PRC, Vietnam and Hong Kong. The Group remunerates its employees based on their performance, experience and prevailing market rates while performance bonuses are granted on a discretionary basis. Other employee benefits include, for example, medical insurance and training.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.007 per share (equivalent to approximately US 0.090 cents) (2016: HK\$0.016 (equivalent to approximately US 0.206 cents)) for 2017 to the ordinary share holders and convertible preference share holders of the Company. Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 8 June 2018, the final dividend will be paid on 28 June 2018 to the ordinary share holders and convertible preference share holders, whose names appear on the registers of members of the Company on 15 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 June 2018 to 8 June 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to ascertain shareholders' eligibility to attend and vote at the forthcoming annual general meeting of the Company to be held on 8 June 2018, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712- 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on 4 June 2018.

In addition, the register of members of the Company will be closed from 14 June 2018 to 15 June 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the 2017 final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on 13 June 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high corporate governance standard, the principles of which are to uphold a high standard of ethics, transparency, accountability and integrity in all aspects of business and to ensure that affairs are conducted in accordance with applicable laws and regulations.

In the opinion of the Board, the Company has applied the principles and complied with all the code provisions prescribed in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), as the code of conduct for dealings in the Company's securities by its directors. In response to a specific enquiry by the Company, all directors of the Company have confirmed that they complied with the required standard set out in the Model Code during 2017.

REVIEW OF ANNUAL RESULTS

The results for the year ended 31 December 2017 have been audited by the auditor of the Company, KPMG, in accordance with Hong Kong Standards on Auditing ("HKSA") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), whose unmodified audit report is included in the annual report to be sent to shareholders of the Company. The results have also been reviewed by the audit committee of the Company.

The financial figures in respect of the consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2017, as set out in this announcement, have been compared by KPMG to the amounts set out in the audited consolidated financial statements for the year and the amounts were found to be in agreement. Such work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with HKSA, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by KPMG on this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Arunee Watcharananan
Director

Hong Kong, 23 February 2018

As at the date of this announcement, the Board comprises eight executive directors, namely, Mr. Dhanin Chearavanont, Mr. Adirek Sripratak, Mr. Soopakij Chearavanont, Mr. Suphachai Chearavanont, Mr. Bai Shanlin, Mr. Sooksunt Jiumjaiswanglerg, Mrs. Arunee Watcharananan and Mr. Yu Jianping; two non-executive directors, namely, Mr. Meth Jiaravanont and Mr. Yoichi Ikezoe; and five independent non-executive directors, namely, Mr. Ma Andrew Chiu Cheung, Mr. Sombat Deo-isres, Mr. Sakda Thanitcul, Mr. Vinai Vittavasgarnvej and Mrs. Vatchari Vimooktayon.